

Message Text

CONFIDENTIAL

PAGE 01 MUSCAT 00515 040759Z

11

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 FEA-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 OMB-01 ACDA-05 /094 W

----- 017832

R 040605Z MAY 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1099

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY LONDON

C O N F I D E N T I A L MUSCAT 515

E.O. 11652: GDS

TAGS: EFIN MU SA

SUBJECT: LATEST ON OMAN GOVERNMENT'S FINANCIAL PROBLEMS

REF: MUSCAT 440, 461 (NOTAL)

SUMMARY: USING OIL RECEIPTS FROM PDO, OMAN HAS CUT BBME DEBT TO MORE NORMAL LEVEL. ITS EFFORTS TO OBTAIN SUBSTANTIAL SAUDI CASH ON EASY TERMS ARE APPROACHING A CLIMAX. FORMER PM, SAYYID TARIK BIN TAIMUR, IS IN LINE FOR NEW FINANCIAL RESPONSIBILITIES. A CENTRAL QUESTION IS HOW FAR GOVERNMENT WILL PURSUE ITS EFFORTS TO RETRENCH AND INSTITUTE BETTER FINANCIAL AND PLANNING PRACTICES IN THE EVENT CASH FLOW PRESSURE SHOULD BE GREATLY RELIEVED BY SAUDI LARGESSE. END SUMMARY.

1. THE OMAN GOVERNMENT HAS PAID BACK TO BRITISH BANK OF THE MIDDLE EAST DOLS 150 MILLION THAT WAS DUE AT END OF APRIL, ACCORDING TO USUALLY RELIABLE SOURCE. IN RETURN, BBME REPORTEDLY RE-LENT DOLS 75 MILLION TO THE GOVT FOR ANOTHER THREE MONTHS. A FEW DAYS EARLIER, PDO MADE SCHEDULED PAYMENTS TO OMANGOV
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MUSCAT 00515 040759Z

TOTALING ABOUT DOLS 165 MILLION, CONSISTING OF 57 MILLION

POUNDS STERLING AND 30 MILLION DOLLARS. (NOTE: PDO'S PAYMENTS TO OMANGOV ARE UNUSUALLY HEAVY AT THE END OF FIRST MONTH IN EACH CALENDAR QUARTERS. THUS THE NEXT SUCH HEAVY PAYMENT WILL BE AT END OF JULY.) THERE ARE CONFLICTING ACCOUNTS OF WHAT MONIES OMANGOV MAY HAVE RECEIVED IN RECENT WEEKS FROM OTHER COMMERCIAL BANKS, BUT CONSENSUS IS THAT JORDAN'S ARAB BANK COUGHED UP DOLS 50 MILLION LOAN AND THAT OMAN'S DISCUSSIONS WITH UNION DES BANQUES ARABES ET FRANCAISES HAVE BEEN PROMISING. ALSO, ABU DHABI REPORTEDLY IS PROVIDING EQUIVALENT OF DOLS 35 MILLION TOWARD OMANGOV DEFENSE BUDGET, WHICH MAY GO PARTLY FOR NORTHERN OMAN ROAD PROJECTS BENEFICIAL BOTH FOR DEFENSE AND CIVIL PURPOSES.

2. QUESTION OF HOW MUCH SAUDI GOVERNMENT ASSISTANCE WILL BE FORTHCOMING, AND HOW SOON, IS MAIN TOPIC OF INTEREST HERE CURRENTLY. FIGURES BANDIED ABOUT RANGE WIDELY FROM DOLS 100-150 MILLION TO AS HIGH AS DOLS 350-400 MILLION. BRITISH AMBASSADOR TREADWELL SAID MAY 3 HE UNDERSTANDS OMANIS WORKING HARD ON SAG TO GET CASH PACKAGE WORTH ABOUT DOLS 200 MILLION. HE SPOKE ALSO OF SHOPPING LIST OF NEW MILITARY EQUIPMENT THAT OMANIS HAVE PREPARED FOR POSSIBLE SAUDI FUNDING. TREADWELL, AN OLD HAND IN JIDDA, EXPRESSED DOUBT THAT SAG, WHEN IT COMES TIME TO PLACE THEIR CHIPS ON THE TABLE, WILL BE ANYTHING LIKE AS GENEROUS AS THIS WITHOUT SOME SPECIFIC QUID PRO QUO. FROM HIS REMARKS, HE CLEARLY IS UNCONVINCED THAT EITHER SULTAN QABOOS OR HIS GOVERNMENT IS FACING UP TO FINANCIAL CRISIS IN SERIOUS MANNER THAT IT DESERVES.

3. WE HAVE HEARD BUT CANNOT CONFIRM FIGURES RANGING FROM R.O. 30 TO 40 MILLION (EQUIVALENT TO DOLS -87-117 MILLION) OSTENSIBLY REPRESENTING AMOUNT OF SAVINGS, OR AT LEAST RELIER IN TERMS OF CALLS ON OFFICIAL FUNDS IN CALENDAR 1975 BUDGET, THAT HAVE BEEN MAPPED OUT BY FINANCIAL AFFAIRS COUNCIL IN ITS NEGOTIATIONS SINCE MARCH WITH GOVERNMENT'S CONTRACTORS AND CREDITORS, AND BY BELT-TIGHTENING IN VARIOUS MINISTRIES. NO INFORMATION ON THIS HAS REACHED PUBLIC DOMAIN. OUR SOURCES AGREE THAT FEW, PERHAPS NO, CONTRACTS HAVE BEEN CANCELLED. INSTEAD, DELAYS IN IMPLEMENTATION, SOME COST REDUCTIONS AND SOME STRETCHED-OUT PERFORMANCE TIMES HAVE BEEN NEGOTIATED.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUSCAT 00515 040759Z

4. WORD IS WIDESPREAD THAT SULTAN HAS OFFERED HIS UNCLE, SAYYID TARIK BIN TAIMUR, CHAIRMANSHIP OF OMAN'S NEW CENTRAL BANK AND POSSIBLY OTHER FINANCIAL RESPONSIBILITIES. THOUGH TARIK ACCEPTED, SULTAN HAS MADE NO ANNOUNCEMENT AND TARIK IS WAITING IN THE WINGS FOR NOW. COINCIDENTALLY, IMF'S JOHN GUNTER IS HERE TEMPORARILY AS OMANI GUEST WEIGHING POSSIBILITY OF TAKING FULL-TIME POSITION AS CENTRAL BANK ADVISER; HE IS YET UNDECIDED.

5. COMMENT: TALK AROUND TOWN HAS IT TTHAT SULTAN'S SPECIAL ADVISERS YEHIA OMAR AND GHASSAN SHAKER ARE ON SHAKY GROUND THESE DAYS AND MAY HAVE LOST SOME STATUE WITH QABOOS BECAUSE OF RAMIFICATIONS OF STRAINED FINANCIAL SITUATION. BUT PROOF FOR THIS IS LACKING. QUITE TO CONTRARY, WE THINK THAT IF OMAR/SHAKER EFFORTS TO GAIN SUBSTANTIAL FUNDS FOR OMAN FROM THE SAUDIS SHOULD SUCCEED, THEIR IMAGE WILL TAKE ON NEW LUSTER IN SULTAN'S EYES. WHILE FOR OUR OWN PART WE ARE INCLINED TO GIVE OMANGOV SOME CREDIT--NOT MUCH, BUT SOME--FOR ATTEMPTING PARTIAL FINANCIAL RETRENCHMENT, OUR EARLIER PREDICTION STANDS, E.G. THAT TOO MUCH SUCCESS IN WINNING EASY CASH FROM THE SAUDIS RISKS SHATTERING EVEN THE LIMITED RESOLVE THE OMANIS HAVE SO FAR SHOWN TOWARD PUTTING THEIR BUDGET AND FINANCIAL HOUSE IN ORDER.
WOLLE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, ECONOMIC CONDITIONS, GOVERNMENT BUDGET, PERSONNEL ASSIGNMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MUSCAT00515
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750156-0447
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750582/aaaacwym.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 MUSCAT 440, 75 461
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 27 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 JUN 2003 by CunninFX>; APPROVED <04 NOV 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LATEST ON OMAN GOVERNMENT'S FINANCIAL PROBLEMS
TAGS: EFIN, MU, SA, (TAIMUR, SAYYID TARIK BIN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006